



Text



search site

search

- [Fitch Home](#)
- [About Fitch](#)
- [Careers](#)
- [Partners](#)
- [Contact Us](#)

[Corporate Finance](#)[Financial Institutions](#)[Public Finance](#)[Structured Finance](#)[Derivative Fitch](#)[Products & Services](#)[<< back to more headlines](#)[Printer-Friendly Version](#)

Fitch Rates Maricopa Cnty Pub Fin Corp, Arizona \$138MM Lease Revs 'AA+'; Implied GO Rating 'AAA'

25 Apr 2007 11:20 AM (EDT)

Fitch Ratings-Austin-25 April 2007: Fitch Ratings assigns an 'AA+' rating to Maricopa County Public Finance Corporation's (the corporation) \$112.4 million lease revenue bonds, series 2007A, and \$25.3 million lease revenue refunding bonds, series 2007B. Fitch also upgrades its rating on the corporation's outstanding debt, comprised of \$72.5 million lease revenue bonds and \$4.7 million certificates of participation, to 'AA+' from 'AA'. At this time, Fitch assigns an implied general obligation (GO) rating of 'AAA' to Maricopa County. The county has no outstanding GO debt. The Rating Outlook is Stable.

The current offerings are scheduled to sell competitively on or about May 8, 2007. Piper Jaffray & Co. is serving as the corporation's financial advisor. The bonds are payable from semiannual lease payments, subject to annual appropriation, to be made by Maricopa County to the corporation's trust estate. Proceeds from the 2007A series will be used to construct and equip court facilities and an animal care and control facility. Proceeds from the 2007B series will be used to refund a portion of the county's outstanding lease revenue bonds.

The 'AA+' rating on the lease revenue bonds and the implied 'AAA' GO rating reflects Maricopa County's expansion of large financial reserves, a record of continued economic growth and diversification, successful fiscal reforms, and the county's modest debt profile. Although taxes derived from consumer spending slowed during the national recession, the property tax base still demonstrated healthy increases. Sound fiscal stewardship has enabled the county to meet the service delivery demands of a burgeoning populace while accumulating significant financial resources. The successful transfer of the medical center to a separate special health district provides further credit comfort.

Maricopa County is the economic and population center of Arizona, encompassing Phoenix and surrounding suburbs within its over 9,000 square mile boundary. The county was the nation's fastest growing in terms of population over the past decade. Its 2000 population (totaling 3.1 million) grew 45% since the last census and represented about 60% of the statewide total. This rapid trend continues as evidenced by an estimated 2007 population that is up 23% since 2000. Employment growth in the Phoenix-Scottsdale-Mesa metropolitan statistical area (MSA) flattened from 2001-2003 but has posted strong gains since that period. Professional and business services represented the MSA's largest employment sector at about 17% of total jobs in 2005, growing by a rapid 4% average. While manufacturing represents only 10% of county employment, the sector is influenced heavily by electronics and defense-related aerospace companies. County median household income levels are slightly above the state and national average.

The 2007A bonds will finance the construction of two justice court facilities in the southwestern and southeastern sectors of the county. In addition, 2007A bond proceeds will be used to construct an animal

care and control facility and will be fully supported by fees for services at the facility. The 2007B bonds will refund nearly \$25 million of series 2001 lease revenue bonds with projected net present value savings of about 3%. All of the county's general obligation debt matured in 2004. Including all outstanding lease revenue and certificate of participation debt of the corporation, the county's direct debt is a very low \$54 per capita and 0.05% of full cash value. Overlapping debt is low to moderate at \$1,776 and 1.8% of full cash value.

The current five-year capital plan totals \$595 million, including \$392 million in transportation projects to be funded from highway user revenue funds. The remaining funding sources are comprised of lease revenue bonds (including the current offering) with another \$122 million scheduled for issuance in 2008. However, county officials are moving forward on adding a \$300 million-\$350 million 25-story court tower to the city's capital plans in two to three years, all funded with additional lease revenue bonds. Although substantial, the additional lease debt would still result in moderate debt levels.

A 1/5-cent sales tax approved by voters in 1998 financed the \$540 million project cost of the county's massive expansion of detention facilities. In November 2002, voters approved a 20-year extension of this revenue stream to help fund the annual operating costs of the facilities that opened in spring 2004. State-shared highway taxes and dedicated property taxes will fund transportation and flood control projects, respectively.

Benefiting from strong tax base growth and a series of policy reforms implemented in the wake of a mid-1990s fiscal crisis, the county's financial flexibility has increased. The rapid pace of new residential construction boosted secondary assessed valuation by a compound annual average of over 15% since fiscal 2001, including a large 35% increase for fiscal 2007 due to equal parts new construction and reappraisal. The county's largest general fund revenue source, state-shared sales taxes (equal to 37% of revenues in fiscal 2006), exhibited greater sensitivity to economic conditions, slowing to only 1% growth in fiscal years 2002 and 2003. Subsequently, sales tax receipts ramped up again the following year, ending most recently with a 15% increase in fiscal 2006. These receipts are up over 8% for the first eight months of fiscal 2007.

Notably, amidst sluggish sales tax growth in fiscal years 2002 and 2003, the county continued to post substantial operating surpluses through expenditure reductions, including personnel savings. Post-recession performance further expanded the county's already large reserves, with the most recent audit in fiscal 2005 recording an impressive \$112 million operating surplus, increasing undesignated reserves to almost \$428 million or about 55% of spending, well above the county's goal to maintain sufficient reserves to avoid short-term cash borrowing during the fiscal year. Unaudited fiscal 2006 results point to another substantial surplus of \$136 million, increasing undesignated reserves to over \$539 million or 66% of spending. The fiscal 2007 budget is balanced and projects state-shared sales tax collections to grow 6.8%.

The county's credit profile was enhanced by the 2005 transfer of the county's health care delivery system to a separate voter-approved special health district with its own property tax levy. General fund subsidies to the 621-bed Maricopa Medical Center, its 12 clinics, and four managed care plans, had averaged about \$25 million a year due to the medical center's struggling finances. Although they've improved recently, the health care system's finances represented a potential fiscal liability to the county's general fund in the event it had required larger operating subsidies to remain operational. The transfer of operations and assets to the new Maricopa Integrated Health System was completed on Jan. 1, 2005 and the county has no remaining financial or reporting responsibility for the delivery system.

Contact: Jose Acosta +1-512-215-3726 or Steve Murray +1-512-215-3729, Austin.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

Text



search

- [Fitch Home](#)
- [About Fitch](#)
- [Careers](#)
- [Partners](#)
- [Contact Us](#)

Corporate Finance

Financial Institutions

Public Finance

Structured Finance

Derivative Fitch

Products & Services



Printer-Friendly Version

Maricopa County (AZ)



view research >>

Issuer Summary

Market Sectors: County Lease, Tax-Supported

Country: United States

	POSITIVE	NEGATIVE	EVOLVING	STABLE
OUTLOOK				
WATCH				n/a

Distressed Ratings Scale

Outstanding	Superior	Good	Average	Below-Average	Poor
DR1	DR2	DR3	DR4	DR5	DR6

All Rated Issues

☒ show /hide all

Total records: 1

Page 1 of 1

☒ implied GO bonds

MATURITY DATE	CUSIP	RATINGS		UNENHANCED RATINGS		CURRENCY
		LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	
N/A	--	AAA	--	--	--	USD

Total records: 1

Page 1 of 1